

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 EB-08 L-03 IGA-02 OES-06
IO-13 AGRE-00 COME-00 TRSE-00 CIAE-00 INR-07
NSAE-00 SP-02 SSO-00 INRE-00 /111 W
-----291151Z 048502 /12
O 291050Z APR 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC IMMEDIATE 4449

LIMITED OFFICIAL USE SECTION 1 OF 2 DACCA 2289

PASS TO AID/ASIA/BIS AND USDA

E.O. 11652: N/A DECON 12/31/77
TAGS: EAID, EAGR, BG
SUBJ: FY 1977 PL 480 TITLE I PROGRAM; VEGETABLE OIL REQUEST

REF: (A) DACCA 1734 (B) DACCA 0216 (C) DACCA 6517/76
(D) DACCA 5518/76 (E) DACCA 4727/76 (F) DACCA 2006

SUMMARY: WE RECOMMEND FURTHER AMENDING OUR PL-480 TITLE I AGREEMENT TO PROVIDE 40,000 MT OF EDIBLE OIL (OF WHICH HALF WOULD BE REFINED IN DRUMS AND HALF CRUDE IN BULK) AS REQUESTED BY BANGLADESH. SHIPMENTS SHOULD BEGIN ARRIVING IN AUGUST, 1977. OUR ANALYSIS OF BDG REQUIREMENTS ON THE BASIS OF LATEST OFFTAKE FIGURES, PROJECTED IMPORTS AND CONSUMPTION FIGURES JUSTIFIES MEETING THEIR REQUEST IN FULL, AND THE IMPORTANCE OF REDUCING INFLATIONARY PRESSURES OVER THE NEXT SIX MONTHS PROVIDES A FURTHER JUSTIFICATION. END SUMMARY.

1. THE REQUEST FROM FOOD MINISTRY QUOTED REF A REPRESENTED COMPLETE TURNAROUND ON EDIBLE OIL PICTURE AS PREVIOUSLY PRESENTED IN REFS B, C, D, AND E AND GOING BACK TO THE IN-DEPTH DISCUSSIONS WITH BDG LAST SUMMER.

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2. A SECOND LETTER, RECEIVED APRIL 12, 1977 FROM THE PLANNING COMMISSION, ADDED TO THE CONFUSION BY REQUESTING UNDER PL 480 A SEPARATE AMOUNT OF 35,600 MT OF CRUDE EDIBLE OIL TO QUOTE ENSURE FULL UTILIZATION OF OUR REFINING CAPACITY
END QUOTE.

3. SINCE RECEIPT OF THESE TWO CONFLICTING AND UNSUBSTANTIATED LETTERS, A SERIES OF MEETINGS HAVE BEEN HELD WITH THE MINISTRY OF FOOD, THE MINISTRY OF PLANNING AND AVM MAHMOOD, DCMLA, TO PIN DOWN THE BDG REQUIREMENTS AND THEIR JUSTIFICATION. THIS DIALOGUE CULMINATED IN MAHMOOD'S CALLING AN INTERMINISTERIAL MEETING ON APRIL 26 TO RESOLVE THE BDG POSITION.

4. THE KEY QUESTIONS IN THESE REVIEWS WITH AND WITHIN THE BDG HAVE BEEN WHAT CAUSED THE SHARP RISES IN OFFTAKES (SHOWN IN TABLE I BELOW) AND WHAT CAN BE DONE TO CONTROL THEM. THE RISES STARTING IN NOVEMBER 1976 COINCIDE WITH THE BDG (A) COMMENCING OPEN SALES OF OVERSTOCKED, DETERIORATING CANADIAN RAPESEED OIL AND (B) MAKING A 20 PERCENT REDUCTION IN THE OFFTAKE SALE PRICE OF THAT RAPESEED OIL. THESE FACTORS COUPLED WITH INCREASING SPECULATION OF A REDUCED LOCAL OIL SEED CROP, NOW ESTIMATED AT 15 PERCENT BELOW AVERAGE, COMBINED TO CAUSE A RUN ON THE SYSTEM WHICH ALSO IS REFLECTED IN GENERAL OIL MARKET PRICE RISES ON THE ORDER OF 15 TO 30 PERCENT OVER THE PST MONTH. TO CONTROL THESE OFFTAKE LEVELS NOW THAT THE EXTRA RAPESEED OIL HAS BEEN EXPENDED, THE BDG HAS DECIDED TO REDUCE RATION OFFTAKES TO A MAXIMUM OF 3,000 MT MONTH STARTING MAY 1. THIS WILL CONSERVE THE STOCKS REMAINING, BUT MAY ALSO PUT ADDITIONAL PRESSURE ON MARKET PRICES. WE CONSIDER THAT THE REQUIREMENTS ANALYSIS IN PARA 6 BELOW REPRESENTS REASONABLE BALANCE BETWEEN THE CONSERVATION OF STOCKS AND THE MAINTENANCE OF REGULAR OFFTAKES TO COMBAT INFLATIONARY PRICE RISES UNTIL ADDITIONAL IMPORTS AND DOMESTIC PRODUCTION CAN BE REALIZED.

TABLE I - OFFTAKES OF EDIBLE OIL 1975 - PRESENT (METRIC TONS)
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(EXCLUDES BUTTER OIL)

READ IN FOUR COLUMNS: MONTH, 1975, 1976, 1977

JAN,	1,703,	3,800,	5,581
FEB,	1,517,	1,763,	6,604
MAR,	1,271,	1,207,	5,063
APR,	1,404,	1,339	
MAY,	1,278,	2,443	
JUNE,	717,	964	
JULY,	1,039,	1,583	
AUG,	1,339,	2,603	
SEPT,	2,675,	3,509	
OCT,	21,140,	3,106	
NOV,	3,813,	4,688	
DEC,	3,706,	4,605	
TOTAL:	22,602,	31,605,	17,248
AVERAGE:	1,884,	2,634,	5,749

NOTE: INCREASES IN OFFTAKES OCCURRED PRIMARILY IN NON
STATUTORY RATIONING (SR) CATEGORIES AND REACHED TOTALS OF:
SR 9,848 MT, NON-SR 28,939 MT FOR PERIOD SINCE JULY 1976.

5. ALTHOUGH WE STILL DO NOT HAVE A REVISED WRITTEN REQUEST
FROM THE BDG, WE HAVE PUT TOGETHER THE FOLLOWING REQUIREMENTS
ANALYSIS BASED ON AN AGREED STOCK POSITION, EXPECTED IMPORTS
AND A REDUCED OFFTAKE CEILING SUGGESTED TO USAID DIRECTOR TONER
BY AVM MAHMOOD IN THEIR APRIL 26 MEETING.

THIS REQUIREMENTS ANALYSIS WAS DISCUSSED WITH JOINT
SECRETARY, ANISUZZAMAN KHAN AND HIS MINISTRY OF FOOD STAFF
ON APRIL 28 AND REFLECTS A MUTUAL AGREEMENT ALTHOUGH IT CONTAINS
AN ANNUAL OFFTAKE REQUIREMENT LEVEL OF ONLY 57,800 TONS AS
OPPOSED TO THE 104,000 TON REQUIREMENT PREVIOUSLY PRESENTED TO US
IN A BDG QUOTE SUMMARY OF EDIBLE OIL POSITION UNQUOTE. (COPIES OF
BDG AND RECALCULATED SUMMARY BEING POUCHED).

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INFO OCT-01 NEA-10 ISO-00 EB-08 L-03 IGA-02 OES-06

IO-13 AGRE-00 COME-00 TRSE-00 CIAE-00 INR-07

NSAE-00 INRE-00 SP-02 SSO-00 /111 W

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O 291050Z APR 77

FM AMEMBASSY DACCA

TO SECSTATE WASHDC IMMEDIATE 4450

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6. MISSION ANALYSIS OF BDG REQUIREMENTS THROUGH JUNE 1978.

OPENING STOCK: AS OF APRIL 1, 1977:

(A) FOOD MINISTRY ACCOUNT (USED FOR RATION SYSTEM) 23,248 MT
FIGURE IS PRIMARILY SOYBEAN OIL (19,136) WITH
SMALL QUANTITIES OF RAPESEEDS, RAPESEED OIL
AND SUNFLOWER OIL. EXCLUDES 5,174 TONS OF
BUTTER OIL WHICH IS NOT DIRECT SUBSTITUTE FOR
OTHER OILS. THIS AMOUNT IS CONSIDERED EMERGENCY
RESERVE.

(B) BANGLADESH SUGAR FOOD INDUSTRIES CORP. (FOR REFINING
AND OPEN MARKET SALE)
(BSFIC) ACCOUNT 12,000 MT

APRIL STOCK 35,248 MT
OFFTAKES TO JUNE 30, 1977:
(A) FOOD MINISTRY 12,000 MT
APRIL 6,00 MT
MAY, JUNE 2 MO. AT 3000/MO.
(B) BSFIC 4,500 MT
3 MO. AT 1,500/MO.
(C) INDUSTRIAL (FOR USE IN FOOD PROCESSING INDUSTRIES) 1,950 MT
3 MO. AT 650/MO. -----
TOTAL OFFTAKES 18,450 MT
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INPUTS TO JUNE 30:
PIPELINE (NETHERLANDS) 1,377 MT
OPENING STOCK AS OF JULY 1, 1977
(35,248 PLUS 1,377 - 18,450) 18,175 MT
(12,625 FOOD ACCOUNT, 5,550 BSFIC)
OFFTAKES: JULY 1, 1977 - JUNE 30, 1978
(A) FOOD MINISTRY ACCOUNT 38,000 MT
8 MOS. AT 3,000/MO.
4 MOS. AT 2,000/MO.,
AND 2 MOS. RESERVE AT 3,000/MO.

(B) BSFIC ACCOUNT 18,000 MT
12 MOS AT 1,500 MO.
(C) INDUSTRIAL 7,800 MT
12 MOS AT 650 MOSM -----
TOTAL OFFTAKES 63,800

BALANCES AS OF JUNE 30, 1978

(A) FOOD MINISTRY (12,625 - 38,000 (MINUS 25,375 MT
(B) BSFIC AND INDUSTRIAL (5,560-25,800) (MINUS 20,250 MT
(EQUAL TO 21,800 MT IN CRUDE OIL)

7. OTHER POSSIBLE INPUTS:
AGAINST THE ABOVE REQUIREMENTS THE BDG CLAIMS TO ONLY HAVE
AN OUTSTANDING SHIPMENT OF 2500 MT OF RAPESEED OIL FROM
CANADA WHICH IS DUE JUNE OR JULY. FROM PRIVATE CONVERSATIONS
WE UNDERSTAND THE CANADIANS MAY ALSO HAVE \$10 MILLION ALLOCATED FOR
EDIBLE OIL FROM LAST YEAR'S BUDGET. THIS WE ESTIMATE WOULD
PURCHASE ABOUT 12 TO 15,000 MT OF OIL. A CANADIAN TEAM IS
EXPECTED TO REVIEW THIS IN DACCA IN LATE MAY. THE BDG MAY
ALSO BE REQUESTING A MINOR AMOUNT OF BUTTER OIL FROM A PREVIOUS
COMMITMENT BY THE EEC. THEY ARE PRIMARILY RELYING ON THE
U.S. AS AN EDIBLE OIL SOURCE.

8. IN SPITE OF THE CONFUSION IN THE BDG REQUESTS AND THE
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CONTRADICTIONS AND OVERESTIMATES OF OFFTAKES IN THEIR DATA, THE MISSION IS NOW CONVINCED, FOLLOWING THE ABOVE ANALYSIS, THAT THERE IS A DEMONSTRABLE CURRENT NEED FOR OIL IMPORTS ON THE ORDER OF THE 40,000 TONS REQUESTED IN THEIR APRIL 4, 1977 LETTER, (REF A). MORE BY COINCIDENCE THAN DESIGN IT ALSO APPEARS THAT THE IMPLIED SPLIT OF 20,000 MT REFINED AND 20,000 MT CRUDE IS APPROPRIATE. WE HAVE HOWEVER CONTINUALLY ADVISED ALL LEVELS OF THE BDG THAT WE DO NOT KNOW WHAT AMOUNT, IF ANY, OF PL 480 EDIBLE OIL WILL BE AVAILABLE.

9. IN ADDITION TO THE SUPPLY AND DEMAND INFORMATION ABOVE, THE PROSPECT OF EDIBLE OIL SHORTAGES, IF ADDITIONAL IMPORTS ARE NOT ASSURED PROMPTLY, WOULD LEAD TO PRICE RISES OF THIS ESSENTIAL COMMODITY IN THE MONTHS AHEAD, A PERIOD WHEN THE BDG INTENDS A SERIES OF ELECTIONS LOOKING TOWARD A MORE DEMOCRATIC POLITICAL SYSTEM.

10. RECOMMENDATION: OUR ANALYSIS OF THE PRESENT STOCK SITUATION, REASONABLE OFFTAKE PROSPECTS, PLUS EXPECTED IMPORTS FROM OTHER SOURCES, TOGETHER WITH THE IMPORTANCE OF LIMITING INFLATIONARY PRESSURES AND ENSURING ADEQUATE SUPPLIES OF THIS ESSENTIAL COMMODITY, JUSTIFIES AMENDING OUR PL-480, TITLE I AGREEMENT TO MEET THE BDG REQUEST FOR 40,000 MT OF EDIBLE OIL, DIVIDED EQUALLY BETWEEN REFINED AND CRUDE. ACCORDINGLY, WE RECOMMEND WE MEET THIS REQUEST IN FULL, OR AS MUCH OF IT AS US SUP-2 0)83 -, \$4(35 :9, \$8589, 034.85. (IF WE CAN NOT MEET THE REQUEST IN FULL UNDER OUR FY 77 PROGRAM, WE SHOULD INCLUDE THE REMAINDER IN ANY FY 78 PROGRAM, WITH DELIVERIES PLANNED FOR THE FIRST MONTHS OF THE YEAR.) WHEN WE HAVE RECEIVED AN INDICATION OF OIL AVAILABILITIES WE WILL DEVELOP SELF-HELP LANGUAGE WHICH WILL REINFORCE THE POSITION WE HAVE TAKEN WITH THE GOVERNMENT ON THEIR RESTRAINING FUTURE OFFTAKES, PRICES AND AVAILABILITIES TO PREVENT EXPANSION OF THE EDIBLE OIL RATION SYSTEM.

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11. PLEASE ADVISE PROMPTLY.
MASTERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN ASSISTANCE, PL 480 TITLE 1, VEGETABLE OILS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Number: 1977DACCA02289
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Errors: N/A
Expiration:
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Legacy Key: link1977/newtext/t1977046/aaaaaejx.tel
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Message ID: 733bb2a5-c288-dd11-92da-001cc4696bcc
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Previous Handling Restrictions: n/a
Reference: 77 DACCA 1734, 77 DACCA 216, 77 DACCA 6517, 77 DACCA 5518, 77 DACCA 4727, 77 DACCA 2006
Retention: 0
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Review Exemptions: n/a
Review Media Identifier:
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Review Withdrawn Fields: n/a
SAS ID: 2813441
Secure: OPEN
Status: NATIVE
Subject: FY 1977 PL 480 TITLE I PROGRAM; VEGTABLE OIL REQUEST
TAGS: EAID, EAGR, BG
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/733bb2a5-c288-dd11-92da-001cc4696bcc
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